

Intouch

Retiree Pension Bulletin

Defined Benefit

The Canada Post pension plan turns 10!

The Canada Post pension plan, one of the largest single-employer pension plans in Canada, marked its 10-year anniversary on October 1, 2010.

On October 1, 2000, Canada Post established its own pension plan, separating from the Public Service pension plan. All Canada Post employees who were members of the former plan were transferred over to the new Plan.

Over the past 10 years, a lot has changed:

- Our Plan membership has grown from approximately 55,000 active members to more than 81,000 active members, pensioners, deferred members and beneficiaries as of August 31, 2010. Pensioners represent over 20,000 members (nearly 25% of membership).
- Our fund's assets have increased from \$6.9 billion to almost \$14.5 billion as of September 30, 2010.
- The Canada Post Pension Centre has been open for six years, offering our members a number of services that were previously outsourced.
- We've developed communication tools to keep our members well informed:
 - the website – cpcpension.com
 - the Plan's annual report
 - a personalized pension statement
 - *Pension Plan News* (newsletter)
 - *Intouch* (Pensioners' newsletter)
- A Defined Contribution component for new management and exempt employees was added to our Plan effective January 1, 2010.

Although there have been many changes, our goals remain the same:

- Pension Services is committed to providing excellent service to all Plan members.
- Management, along with the Board of Directors of Canada Post, continues to work hard to protect our pensions by ensuring that sufficient funding is in place so that our pension benefit will be there when we need it.

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Disclaimer:

The Canada Post Corporation Registered Pension Plan is referred to as the Plan in this publication. The official Plan text governs your actual benefits from the Plan and is the final authority in any case of dispute. For more information on terms used in this publication, please visit cpcpension.com.

Cost of living increase

To help ensure that your pension keeps pace with the cost of living, it is indexed in January by a percentage that reflects the average increase in the consumer price index (CPI), calculated from October 1 to September 30 of the preceding year.

The cost of living increase effective January 1, 2011 is 1.41 per cent.

Your first indexing increase after retirement will be pro-rated based on the number of complete months following the month in which you retired.

For example: If you retired on September 1, 2010, your first increase, (January 1, 2011) would be 3/12 (October to December) of the total indexation percentage (1.41% x 3/12 = 0.3525%).

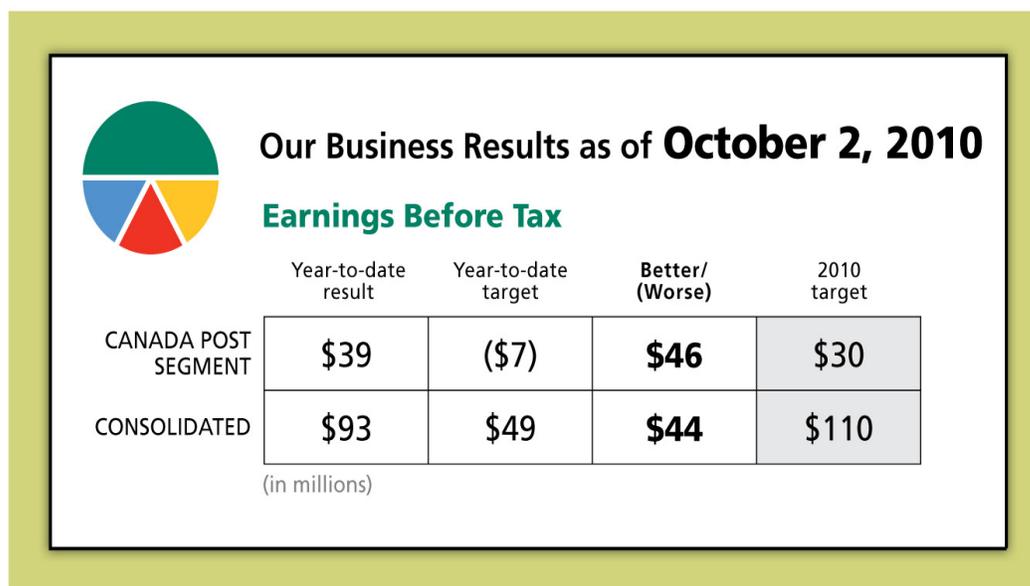
Indexing also applies to survivor benefits that are payable on a monthly basis and deferred pensions.

2011 pension payment schedule

| |
|--------------------|
| December 31, 2010 |
| January 31, 2011 |
| February 28, 2011 |
| March 31, 2011 |
| April 29, 2011 |
| May 31, 2011 |
| June 30, 2011 |
| July 29, 2011 |
| August 31, 2011 |
| September 30, 2011 |
| October 31, 2011 |
| November 30, 2011 |
| December 30, 2011 |

Corporate performance results – September 2010

“Canada Post is on track to meet its modest earnings targets for 2010” as of the beginning of October, said Jacques Côté, Canada Post Chief Operating Officer. But he added the company “is not out of the woods yet” due to the uncertain global economy, and must continue to tightly control costs and spending. Volumes and revenue in Transaction Mail and Parcels have been weaker than expected this year, while Direct Marketing has bounced back with solid growth through the summer. As in 2009, tight cost control is the main reason why the company is on track to earn a profit. As of October 2, 2010, Canada Post had adjusted earnings before tax of \$39 million on revenue of \$4.35 billion. “In order to make our targets for 2010 we need to generate \$1.7 billion in revenue in the fourth quarter,” said Côté. “With soft revenue and volume in two of our three lines of business this year, we must be mindful that even a 1% shortfall from that goal in the fourth quarter would mean a \$17 million impact on the bottom line.”



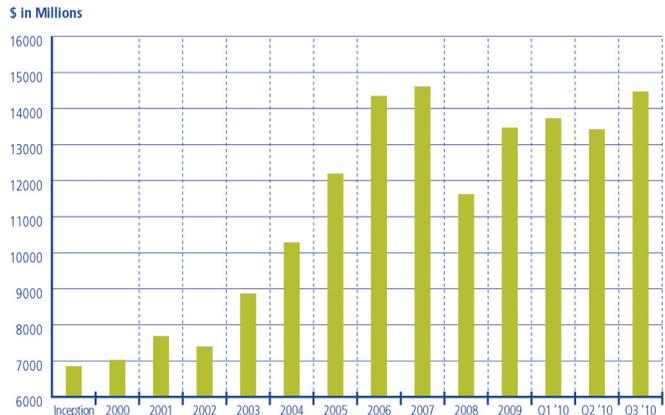
Market Conditions

Equity markets were higher in the third quarter of 2010 as the economy stabilized. The Canadian S&P/TSX Composite index was up 10.3 per cent, while in Canadian dollar terms the U.S. S&P 500 index was up 7.4 per cent, and the international EAFE index was up 12.4 per cent. The DEX Bond Universe was up 3.2 per cent on the quarter. The Bank of Canada twice raised interest rates by 0.25 per cent to bring the overnight rate to 1.00 per cent. The following table depicts the fund's performance (per cent return).

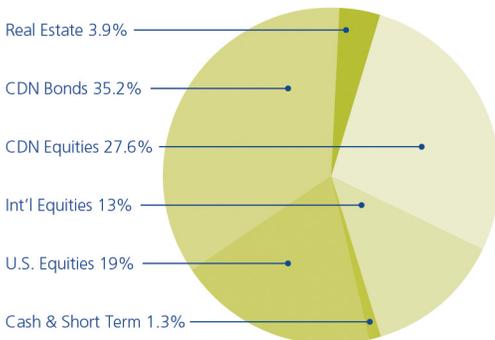
| ASSET CLASS | MARKET VALUE (\$ IN MILLIONS) | 2010 JUL-SEP (%) | 2010 YTD (%) | 2009 ANNUAL (%) | 2008 ANNUAL (%) | 2007 ANNUAL (%) | 2006 ANNUAL (%) | 2005 ANNUAL (%) |
|--------------------------------------|-------------------------------|------------------|--------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Fixed Income | | | | | | | | |
| Cash & Short-Term | 181.2 | 1.6 | 1.8 | 1.7 | 3.0 | 3.2 | 4.1 | 2.7 |
| Canadian Bonds | 5,096.5 | 3.5 | 7.8 | 8.7 | 3.7 | 3.5 | 2.4 | 8.6 |
| Equities | | | | | | | | |
| Canadian Equities | 4,001.1 | 10.2 | 6.0 | 33.0 | -32.0 | 9.0 | 18.9 | 25.2 |
| U.S. Equities | 2,747.4 | 7.6 | 2.2 | 9.9 | -21.6 | -10.7 | 16.9 | 3.4 |
| International Equities | 1,878.2 | 13.6 | 0.1 | 16.3 | -37.4 | -5.1 | 28.4 | 13.2 |
| Real Estate | 567.9 | 1.9 | 5.6 | -9.1 | -1.5 | 16.8 | 24.8 | 17.2 |
| Total Registered Pension Plan | 14,472.3 | 7.26 | 5.21 | 16.19 | -19.27 | 2.09 | 14.25 | 13.73 |
| Benchmark | | 7.15 | 5.33 | 15.79 | -17.58 | 0.91 | 12.98 | 11.17 |

Investment Highlights

- The fund's third quarter return was 7.26 per cent versus our benchmark of 7.15 per cent. Year to date the fund's return is 5.21 per cent against our benchmark return of 5.33 per cent.
- As at September 30, 2010, the fund held assets of \$14,472.3 million.
- The fund had net inflows of \$81.8 million in the third quarter including special solvency payments of \$106.3 million. We reduced real estate by \$19.7 million and cash and short-term investments by \$16.0 million. During the quarter we allocated \$30.0 million to U.S. equities, \$35.0 million to international equities, \$47.7 million to our currency overlay account and \$11.8 million to private equity.



ASSET MIX



Asset Mix Highlights

- As at September 30, 2010, 63.5 per cent of assets were invested in equities and real estate, slightly above the asset mix target of 62.5 per cent consisting of 27.6 per cent Canadian equities, 19.0 per cent U.S. equities, 13.0 per cent international equities and 3.9 per cent real estate.
- 36.5 per cent of assets were invested in bonds and short-term investments, compared to an asset mix target of 37.5 per cent. This included 7.7 per cent in real return bonds, 27.5 per cent in Canadian bonds and 1.3 per cent in cash and short-term investments.

Canada/Quebec Pension Plan: When to begin Age 60, 65 or somewhere in between?

Although many people choose to start receiving their Canada/Quebec Pension Plan (C/QPP) pension at age 65, you can choose to take a reduced C/QPP pension as early as age 60.

| If you start your C/QPP pension | | | |
|--|---|---|--|
| between 60 and 65 | at age 65 | between 65 and 70 | after age 70 |
| You will receive a C/QPP pension payment that is reduced by 0.5 per cent per month before age 65, calculated from the time you begin receiving your C/QPP pension. | You will receive the full C/QPP pension amount you are eligible to receive. | You will receive a C/QPP pension that is increased by 0.5 per cent per month after age 65 until you turn 70, calculated from the time you begin receiving your C/QPP pension. | You will receive the C/QPP pension amount you would have received at age 70. |

Note: The adjustment factors for early and late retirees are under review and may be changing. The proposed changes, to be phased in starting in 2011, could mean higher payouts for those waiting beyond age 65 and less for those collecting before age 65. Any approved changes will be communicated to you in a future *Intouch*, but in the meantime you can visit serviccanada.gc.ca or rrq.gouv.qc.ca for any updates.

What happens to your Canada Post pension (lifetime pension and bridge benefit†) if you decide to take your C/QPP pension early?

Regardless of when you start your C/QPP pension,

- your lifetime pension will continue to be paid until your death, and
- your bridge benefit will continue to be paid until you reach age 65, die or begin receiving a C/QPP disability pension, whichever occurs first. Your Canada Post bridge benefit will not stop when a C/QPP pension (other than a C/QPP disability pension) is taken prior to age 65.

How do you decide when to take your C/QPP pension?

This is a very personal decision and depends on your circumstances. You may want to consider your expenses, other retirement income, your health and your retirement plans.

Need more information to help you make a decision?

- For CPP, visit serviccanada.gc.ca or call 1 800 277-9914 (TTY 1 800 255-4786).
 - For QPP, visit rrq.gouv.qc.ca or call 1 800 463-5185 (TTY 1 800 603-3540).
- They can also provide you with estimates of your reduced and unreduced C/QPP pension.

Pension Advisory Council election

The Pension Advisory Council election for the retiree representative will be underway in 2011. Eligible retirees of the Plan should expect to receive a nomination kit at the beginning of February. For more information regarding the election process, visit the Recent News section on cpcpension.com.

Holiday Greetings

Wishing you and your families a happy and healthy holiday season, from the Canada Post pension team.

Do you have a topic in mind for our next "Intouch" bulletin?

Please submit any suggestions or comments in writing to:

**PENSION SERVICES
2701 RIVERSIDE DR
SUITE B320
OTTAWA ON K1A 0B1**

OR send an email directly to: pension.services@canadapost.ca

†Your Canada Post pension is integrated with your C/QPP. This integration reduces your Canada Post pension contributions and pension amount to reflect that you also contribute to and receive a C/QPP benefit. Your Canada Post bridge benefit was designed to supplement your income until age 65 (when C/QPP benefits are payable in full).